Reducing Costs and Increasing Profitability with Customer Communications

WHITEPAPER:
FINANCIAL SERVICES

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ABSTRACT

Financial institutions are missing significant opportunities to increase profitability. They are overlooking efficient, effective ways to engage customers and, despite laudable efforts, they are failing to resolve long-standing, costly customer communication problems.

Financial institutions design and execute top-notch integrated communications campaigns, and they have equipped their people with more tools and training than ever to deal with incoming and outgoing customer communications. Yet persistent issues are tripping up even the best organizations. Additionally, marketers, operations managers, and customer-service representatives (CSRs) alike are frustrated by the challenges that prevent their communication efforts from achieving their full potential with both retail and commercial customers.

While many financial institutions try to tackle these issues in the silos where they reside, the real solution lies in a unified, holistic communication strategy that addresses the root problem—organizational fragmentation. Such a strategy can halt squandered marketing opportunities, reduce exposure to unfunded liabilities, eliminate operational inefficiencies, and surface new revenue opportunities.

This white paper explores how an effective customer communication strategy can help financial institutions reduce costs and increase profitability.
CUSTOMER COMMUNICATION MANAGEMENT (CCM) IS A FORM OF BUSINESS PROCESS MANAGEMENT FOCUSED ON CUTTING COSTS WHILE IMPROVING THE CUSTOMER EXPERIENCE.

Customer Communication Management

Customer communications—what financial institutions say to customers, how they deliver the information, and how they respond to customers—is fraught with opportunities and perils. Getting it right is paramount to delivering quality service that customers expect and deserve, and it yields tremendous influence over wallet-share.

Customer communication management (CCM) is a form of business process management focused on cutting costs while improving the customer experience. At virtually every touch point, there exists an opportunity to solidify or grow the relationship. Given the way most financial institutions are structured, there’s almost always room for improvement in the processes behind customer communications. A common weak spot is organizational fragmentation, which masks opportunities to maximize the value derived from effective customer communications.

Regardless of the channel or whether the contact is initiated by the customer or the financial institution, there are ways to drive spend and cut costs as organizations create, manage, and deliver customer communications.

For example, an international credit card company for a major department store wanted to leverage its billing statements to up-sell and cross-sell services to existing valued card holders, as well as improve customer satisfaction to be more competitive. Implementing a Transpromo billing solution, the company now incorporates timely full-color, customized advertisements and marketing messages, relevant to the recipient into monthly bill statements. Billing statements are sent to customers without delay, less than 5 business days lead time. By changing the bill’s look and feel, the number of inquiries to Call Center declined significantly. At the Call Center, customer service representatives correspond to the re-print of statements by on-demand, reducing call resolution time. Lastly, printing, distribution, and mailing costs were significantly reduced.

Customer Communications Lifecycle

Marketing, operations, call centers, and information technology (IT) departments each play a role how their organization communicates with customers. Their customers on the retail banking and commercial sides of the business have similar needs: access to timely, accurate information to manage their accounts when and how they desire.

Batch transactions, including statements, overdrafts, and other routine correspondence, are created and distributed continually. Demand deposit accounts and credit card accounts are transaction based, requiring an application that creates and captures data. On a monthly basis, financial institutions transform their massive data files into statements through a composition engine. The marketing group determines how the information is presented in terms of layout, design, messaging, charts, graphs, and reporting aimed at easy comprehension while creating up-sell and cross-sell opportunities.

Once statements are produced, financial institutions deliver them to customers in the way that customers prefer. Statements typically are printed and mailed by operations, which executes an extensive process to ensure the communications will reach the intended recipient at the lowest cost possible. Operations employ methods to cleanse addresses and sort mail for optimal savings.

Increasingly, customers are choosing to receive their statements and other correspondence electronically. IT departments push statements out to customers, either by encrypted email with a secure link allowing customers to authenticate and view their statements online, or by generating text messages, alerting their clients that their statements are ready for viewing.
Call centers field incoming customer calls and emails, and manage the resulting interactive and on-demand correspondence.

Commercial customers tend to be global organizations with greater complexity underlying their business, compounding the potential issues and opportunities.

**What’s at Stake**

When financial institutions fail to get it right, the cost is high. Consider an error-ridden letter. It sets off a chain reaction that reverberates throughout the organization. It has the power to frustrate and alienate customers; consume significant resources; breach compliance issues and create unfunded liabilities; result in inefficient customer service; and jeopardize relationships.

Unclear or inaccurate information on statements can prompt customers to call for clarification. What could be a simple single-call resolution ignites an extended exchange. The CSRs, often hamstrung by technology limitations, display little understanding of, or ability to resolve, customer’s unique situations because they possess inaccurate or incomplete information.

The CSRs post-call follow-up often includes letters that exacerbate the problem. That’s because the primary method for those letters lacks quality control, resulting in confusing or inaccurate documents. CSRs work between Microsoft Word and their arcane, inflexible legacy systems to create the letters. Thousands of uncontrolled letter templates are often created in Word, making it difficult for CSRs to find the right letter. They often have hundreds of paragraphs from which to choose, and then cut and paste into their green screens. The follow-up letters spark additional inquiries because they don’t make sense or are irrelevant to the issue at hand. It’s an expensive customer service challenge as each call drives up the cost to resolve the problem.

Those letters also create unnecessary operational expense. They bypass the efficient batch-system operations and instead are printed on local printers, without any sort of address verification. Letters are manually folded, inserted, and mailed at a full postage rate. That represents a huge cost burden on the organization that doesn’t have to exist.

Further, recordkeeping is lax or non-existent. Not only does it contribute to the CSRs lack of historical information access, it also creates potential compliance breaches. While notes may be entered, rarely are copies of the letters retained. From an audit perspective, financial institutions often don’t know what letters went out or whether the journaling was done correctly.

**Components of a Unified CCM Strategy**

Today’s advanced correspondence management technology can help companies overcome challenges, reduce costs, and significantly improve business efficiency. According to leading analyst Forrester Research, Inc., most enterprises investing in customer correspondence software realize their return on investment (ROI) within a year. This ability to realize a return helps make CCM software a good investment despite poor economic conditions.

For example, a financial institution call center that processes one million account closures and change of address documents annually can reduce processing time by 42,000 hours a year. They do this by employing interactive correspondence technology that enables the call center to process each letter 2.5 minutes faster. With reduced batch accumulation and e-delivery, the institution can save $570,000 annually based on $0.57 savings per letter.
Benefits and Savings of Interactive Correspondence

Financial institutions can further eliminate communication inefficiencies and reduce costs through a unified communications strategy. A strategy that addresses these gaps is critical because fragmentation often is the culprit that enables these flaws to flourish.

The solution to customer communication woes doesn’t lie in a particular product. A range of products and services are available to help organizations achieve their goals, and the automation afforded by today’s technological advancements is a tremendous asset. However, the key to reducing costs while better communicating with customers is a unified strategy that incorporates all communications channels and is crafted collectively by the managing departments.

Financial institutions must strategically think through how they’re going to communicate with their customers, from a messaging perspective and a channel perspective, from data acquisition through multi-channel delivery. Financial institutions must dissect their processes and product sets to find the bottlenecks and other weak points that sabotage their efforts to effectively communicate with their customers. Too often marketing, operations, call centers, and IT departments are in disharmony, each focused on its own priorities.

These groups require greater coordination to bolster each others’ efforts and fill the gaps created by fragmentation. Success requires an overarching strategy that identifies and addresses challenges at the macro level, accounting for all aspects of all communications channels. The resulting strategies will then drive the technology decisions.

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**Trend Watch**

A unified customer communications strategy will help financial institutions tackle some of the most significant communications issues they’re facing and capitalize on emerging opportunities, including:

**Unfair and Deceptive Acts and Practices (UDAP) Regulation Z**

New federal regulations call for substantial changes to document content and the timing of delivery. These new mandates impact everything from applications and marketing materials to disclosures and monthly statements.

**New Account On-Boarding**

The first three months of a new account make up the loyalty and cross-sell tipping point. That’s why on-boarding programs, designed to instill loyalty among new customers, are an industry standard. The key is to streamline and integrate personalized multi-channel communications through connected systems.

**Customer Experience Management**

Customer experience management that nurtures a customer’s relationship across the entire organization is the holy grail of banking. Financial institutions must implement a truly integrated, engaging, and personal multi-channel customer experience to impact loyalty.

**Opportunities**

A unified customer communication strategy can help financial institutions improve the way they communicate with customers and save money in the process. It can help them:

- Drive cost out of the business by automating processes across departments to simplify interactions, eliminate redundancies, reduce errors, and increase efficiencies.
- Reduce costs by providing reliable, intuitive online self-service options.
- Surface new revenue opportunities through multi-channel message delivery and by taking advantage of previously overlooked space, such as on-serting over inserting and selling white space on statements.
- Improve service delivery times and responsiveness to customer needs by ensuring that CSRs can instantaneously access accurate information while speaking with customers.
- Define customers who qualify for particular up-sell, cross-sell, and transpromo offers through high-probability analysis, and develop campaigns around messaging that will dynamically be applied to individuals’ account activity.
- Give marketing control over messaging without having to go into the IT organization and have them build a message file and rules around messaging.
- Accumulate printing and postage savings by directing customers toward online channels.
Concrete results financial institutions have reported include:

- A 50% reduction in cost to create interactive and on-demand letters, and the elimination of virtually 100% of errors.
- A 20% decrease in cost and a 20% increase in efficiency derived from giving call center CSRs immediate, central access to exact replicas of customer statements.
- A cost reduction from $1.50 to print and mail a statement to $0.25 for electronic delivery of the same information.
- A reduction in the volume of return mail processing, an expensive problem for institutions that process thousands or even millions of pieces of return mail every year. The cost ranges between $2.50 to $8.00 per piece to open and sort the mail; to stop payment fees on checks; to redistribute the mail back to the business unit; and to re-mail or otherwise deal with each returned mail piece.

**Conclusion**

Without a unified customer communication strategy, financial institutions will continue to experience excessive operational costs, waste opportunities to leverage existing customers, and fail to adequately respond to customer needs. The opportunity for success lies in an overarching strategy that enables financial institutions to efficiently and effectively respond to customer needs and improve the overall customer experience.

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